

1 page 6 of the agreement. Section 11 is your  
2 indemnification provision. Correct?

3 A. Are you on -- I'm sorry. What page?

4 Q. Page 6.

5 A. Page 6. I have it now.

6 Q. Okay. Section 11 is your  
7 indemnification -- or your proposed indemnification  
8 language. Is that correct?

9 A. That is correct.

10 Q. Okay. And there's been no agreement  
11 between Southwestern Bell and MCI on appropriate  
12 indemnification language, has there been?

13 A. No, there has not been.

14 Q. But it's MCI's position that this  
15 Commission should adopt MCI's indemnification language?

16 A. Yes, it is.

17 Q. Okay. But again, this -- the issue of what  
18 indemnification language is appropriate for this Commission  
19 to adopt hasn't been separately identified in the hearing  
20 memorandum. Is that correct?

21 A. No, it has not been.

22 Q. And there hasn't been any testimony on the  
23 issue of what indemnification contractual provisions are  
24 appropriate?

25 A. Not to my knowledge.

1 Q. Okay. Let's go to page 11, please.  
2 Section 15 at the top of the page sets out your proposed  
3 remedy section. Is that correct?

4 A. That is correct.

5 Q. And in Section 15.1 MCI's asking that, in  
6 addition to any other available rights or remedies, MCI may  
7 sue in equity for specific performance and that the  
8 incumbent LEC expressly waives the defense that a remedy in  
9 damages would be adequate. Is that correct paraphrasing of  
10 the provision?

11 A. That is correct.

12 Q. And that is what MCI would ask the  
13 Commission to adopt as far as a remedy?

14 A. Yes, it is.

15 Q. Southwestern Bell hasn't agreed to that  
16 provision?

17 A. No, they have not.

18 Q. And there -- this issue is not listed,  
19 again, in the issues memorandum, is it?

20 A. Not to my knowledge.

21 Q. Okay. And you haven't presented any  
22 specific testimony on this issue?

23 A. Not to my knowledge.

24 Q. And no other MCI witness has, either, have  
25 they?

1 A. Not to my knowledge.

2 MR. BUB: Okay. Thank you, Ms. Russell.

3 Your Honor, we don't have any further questions.

4 ALJ ROBERTS: AT&T?

5 MR. DAVIS: No questions, your Honor.

6 ALJ ROBERTS: OPC?

7 MR. DANDINO: No questions, your Honor.

8 ALJ ROBERTS: Redirect?

9 MR. LUMLEY: Thank you, your Honor.

10 REDIRECT EXAMINATION BY MR. LUMLEY:

11 Q. Ms. Russell, turning first to the questions  
12 that Judge Roberts asked of you, you were discussing the  
13 software changes to deal with the billing information in  
14 terms of the OB forum versus Southwestern Bell proprietary  
15 informational system. Do you recall those questions?

16 A. Yes, I do.

17 Q. If you were to -- if MCI were to receive  
18 the CABS type information under the OBF proposal, would  
19 that be uniform across the country? I mean, is that the  
20 desired goal?

21 A. That is the desired goal.

22 Q. Okay. So the software changes there would  
23 be one set of changes?

24 A. That is correct.

25 Q. Okay. Now, if Southwestern Bell developed

1 or provided its own specific proprietary format, would MCI  
2 still be faced with just one set of software changes across  
3 the country?

4 A. MCI would be faced with one set of software  
5 changes specifically to Southwestern Bell, and each and  
6 every other LEC that chose to use their own proprietary  
7 format would mean that we would have to develop unique  
8 software to handle the validation of each LEC's bill.

9 Q. And then additionally, if any of the  
10 independent companies, the dialects followed the OBF  
11 proposal, then you would still have to make those changes  
12 as well?

13 A. That is correct.

14 Q. You also discussed with Judge Roberts real  
15 time interfaces, and you talked about gateways. Could you  
16 explain in a little greater detail what you mean by gateway  
17 access?

18 A. Actually, a gateway would mean that, to the  
19 best of my knowledge -- I'm not a technical expert, so it  
20 will be very high level. Gateway would be an entrance for  
21 MCI to send and request information through an MCI gateway  
22 over to a Southwestern Bell gateway, and in turn the  
23 gateway would direct it to the right sub-system to request  
24 that information.

25 Basically what it would do for us would

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1 mean that we could utilize our own internal system,  
2 operation support systems, and the gateway more or less  
3 would translate our language into Southwestern Bell's  
4 language in order to retrieve data from their operating  
5 support systems.

6 Q. All right. Is that the same thing as the  
7 electronic bonding that you referred to?

8 A. No. It is different.

9 Q. Okay. And how is it different?

10 A. It's different from -- electronically  
11 bonding would mean that we would directly bond from our  
12 system to a Southwestern Bell system. In other words,  
13 there would be a direct link, or we would be bonded to  
14 request information.

15 Q. So it would -- I'm sorry. There would be  
16 no gateways in between --

17 A. No, there would not be.

18 Q. And is that the ultimate goal in many  
19 instances?

20 A. The gateway, yes, it is.

21 Q. But is the bonding also a goal?

22 A. It depends on the system. We would want to  
23 be bonded initially in the trouble management system.

24 Q. Why are these various forms of real time  
25 electronic access to these operating systems important to

1 MCI?

2 A. The real time access is to be able to  
3 compete in the local -- the local exchange market. We need  
4 to have the opportunity to be able to interact with the  
5 current Southwestern Bell operating support systems in the  
6 same manner that Southwestern Bell operates into those  
7 systems.

8 And it would be of benefit to us when we  
9 have a customer on the line where we can go into one of the  
10 operating systems, depending on what the customer requests,  
11 and get the information instantaneously to reply to a  
12 customer's request.

13 Q. Okay. And are you familiar with the  
14 testimony of Mr. Watts for Southwestern Bell in this case?

15 A. Yes. Yes, I am.

16 Q. And he addresses this subject matter. Is  
17 that correct?

18 A. Yes, he does.

19 Q. To your understanding, has Southwestern  
20 Bell agreed to provide the kind of real time access that  
21 MCI is asking for?

22 A. No, they have not.

23 Q. You had some discussions with Mr. Bub for  
24 Southwestern Bell about the proposed contract attached to  
25 your testimony -- to your direct testimony, and he asked

1     you about what would happen -- what would be a reasonable  
2     process if the Commission made a decision on issues that --  
3     or with agreement on issues. But in the absence of --  
4     sitting here today, we don't have Commission decision yet.  
5     They're gathering the evidence to make that decision. We  
6     don't have agreement either with Southwestern Bell.

7                     So does it remain your proposal on behalf  
8     of MCI that the Commission adopt the terms and conditions  
9     set forth in that agreement?

10                    A.     Yes, it is.

11                    Q.     And why do you think that approach is  
12     appropriate?

13                    A.     Because the requirements that we've set  
14     forth in our interconnection agreement is what MCI feels  
15     that it's going to require for us to do business in  
16     Southwestern Bell territory.

17                    Q.     And do you feel that we'll be able to  
18     obtain those things on a voluntary basis from Southwestern  
19     Bell without the assistance of the Commission?

20                    A.     No, I do not.

21                    Q.     And you've been involved in negotiations  
22     with Southwestern Bell personnel on this subject, haven't  
23     you?

24                    A.     Yes, I have been.

25                    Q.     And you were asked some questions about

1 whether various sections of the contract were identified as  
2 issues in the case. Do you recall that?

3 A. Yes, I do.

4 Q. Have you really had an opportunity to  
5 review the issues memorandum in the case that he was asking  
6 you about?

7 A. No, I have not.

8 MR. LUMLEY: Okay. Your Honor, just to  
9 check, is that Exhibit 1? Is that correct?

10 ALJ ROBERTS: Yes.

11 MR. LUMLEY: Thank you.

12 BY MR. LUMLEY:

13 Q. Ma'am, I'll show you a copy of Exhibit 1  
14 and turn your attention to issue No. 42. Do you see that?

15 A. Yes, I do.

16 Q. And that says what should be the other  
17 terms of interconnection?

18 A. Yes.

19 Q. Okay. And then on page 58 do you see MCI's  
20 position?

21 A. Yes, I do.

22 Q. And what is that?

23 A. "The Commission should adopt the other  
24 terms and conditions expressed in the proposed  
25 interconnection agreement," MCI's.



1 Q. Thank you. And that's in accordance with  
2 your direct testimony regarding that contract?

3 A. Yes, it is.

4 MR. LUMLEY: That's all I have. Thank you,  
5 your Honor.

6 ALJ ROBERTS: Thank you very much. Is  
7 the -- I'm sorry. You may step down.

8 (Witness excused.)

9  
10 ALJ ROBERTS: The next witness Mr. Deere?  
11 Okay. I hate to start and stop so quickly. We can go off  
12 the record.

13 (Off the record.)

14 (Witness sworn.)

15  
16 ALJ ROBERTS: Back on the record please.  
17 While we were off the record, the witness William Deere was  
18 sworn and has taken the stand. It's your witness,  
19 Mr. Bub. You may proceed.

20 MR. BUB: Thank you, your Honor.

21 WILLIAM C. DEERE, being first duly sworn, was examined and  
22 testified as follows:

23 DIRECT EXAMINATION BY MR. BUB:

24 Q. Mr. Deere, would you state your full name  
25 for the record?



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**FILED**

**JUL 28 1997**

MISSOURI  
PUBLIC SERVICE COMMISSION

In the Matter of AT&T Communications of the Southwest, )  
Inc.'s Petition for Arbitration pursuant to Section 252(b) )  
of the Telecommunications Act of 1996 to Establish an )  
Interconnection Agreement with Southwestern Bell )  
Telephone Company. )

**Case No. TO-97-40**

In the Matter of Petition of MCI Telecommunications )  
Corporation and its Affiliates, Including MCImetro Access )  
Transmission Services, Inc. for Arbitration and Mediation )  
Under the Federal Telecommunications Act of 1996 of )  
Unresolved Interconnection Issues with Southwestern Bell )  
Telephone Company. )

**Case No. TO-97-67**

**RESPONSE OF  
SOUTHWESTERN BELL TELEPHONE COMPANY  
TO MCI'S REPLY**

**COMES NOW** Southwestern Bell Telephone Company (SWBT) and hereby files its  
**Response to the Reply to Motion to Strike (Reply)** filed by MCI Telecommunications  
Corporation, MCImetro Access Transmission Services, Inc. and their affiliates (MCI) and states  
as follows:

1. As detailed below, MCI's contention that all of the issues it now seeks to include in an Interconnection Agreement were presented to the Commission is simply wrong. MCI failed to identify these issue in the Issues Memorandum as required by the Commission, instead limiting its description of the issues to a request that its contract be adopted in toto. The Commission rejected that approach and directed the parties to negotiate towards an agreement incorporating the Commission's decision on matters actually presented and decided. Now, MCI seeks to again have its contract approved in toto, even though it contains literally hundreds of provision which were not presented to or resolved by the Commission. The Commission has no evidentiary basis

on which to resolve such disputes. MCI's baseless position is further demonstrated by its attempt to add issues that were not even included in the contract "Draft for Discussion" that was made part of this case through MCI's witness Russell. The Commission has previously rejected MCI's attempt to have its contract adopted in toto, and should do so here.

2. MCI has mischaracterized its filing of June 16, 1997, just as it did in its Motion to Preempt the Missouri Public Service Commission (PSC) which it filed with the Federal Communications Commission (FCC) on July 18, 1997. MCI states that the June 16, 1997 "agreement also includes provisions regarding matters which were presented for arbitration but were not resolved by the Commission's Arbitration Order or by agreement of the parties." (MCI's Reply, para 2.) MCI then states that MCI presented all the issues and positions (and by implication contractual language) to the PSC "for decision at the arbitration." (MCI's Reply, pg. 2, fn. 1.) MCI is wrong. MCI did not follow the mandate of §252(b)(2) of the Federal Act which requires MCI as the petitioning party to "provide the State commission all relevant documentation concerning (i) the unresolved issues; (ii) the positions of each of the parties with respect to those issues; and (iii) and other issues discussed and resolved by the parties." (emphasis added).

3. On September 17, 1996, the PSC issued an Order Granting Consolidation and Adjusting Procedural Schedule in the MCI Arbitration. The PSC directly informed MCI and the parties that: "[T]he issues memorandum shall clearly set out the position of each party on every contested issue." (emphasis added).<sup>1</sup> In response to the §252 requirement that the petitioning party proved all relevant documentation concerning the unresolved issues and the positions of each of the parties with respect to those issues and the PSC's directive that the issues

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<sup>1</sup>Order Granting Consolidation, p. 2.

memorandum clearly set out every contested issue, MCI drafted Issue 42 of the issues memorandum which states: "What should be the other terms of interconnection?" In response, MCI inserted a one sentence response in the Issues Memorandum namely: "[T]he Commission should adopt the other terms and conditions expressed in MCI's proposed Interconnection Agreement. (Russell Direct, JR-2)." Even though the Issues Memo filed on October 7, 1996 in the MCI Arbitration states: "[E]ach party is responsible for the statement of their positions set forth herein . . .", MCI managed to write one sentence which it now claims<sup>2</sup> represents its position on approximately 150 pages of matters listed on an "unresolved" issues matrix. MCI could not then and cannot now believe that one sentence could possibly explain to the PSC what the position of "each of the parties on the unresolved issues" was on issues that are currently compiled on over a 150 page matrix as required by §252 of the Act. MCI did not follow the mandate of the Act or the procedure of the PSC.

4. In an attempt to blame MCI's failure to list the unresolved issues on the PSC, MCI states that §252(b)(4)(c) required the PSC to make a finding on each of the issues contained in MCI's "term sheet" even though the "term sheet" was never referred to by MCI in the Issues Memorandum under the now supposedly all encompassing Issue 42 one sentence position statement.<sup>3</sup> MCI did not introduce any testimony concerning the "Term Sheet" nor use the "Term Sheet" as an Exhibit with any witness' testimony. In fact, only one witness, JoAnn Russell, even discussed the document labeled "Draft for Discussion" which was attached as an Exhibit to her direct testimony (Exhibit 56) and referred to in MCI's one sentence position statement under

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<sup>2</sup>See MCI's Matrix, Exhibit I, attached to MCI's Reply.

<sup>3</sup>MCI's Reply, para. 7.

Issue 42. When referring to the exhibit, Ms. Russell stated in her testimony: "Have you also attached a model contract?" Response: "Yes, as Exhibit JR-2. This contract language can serve as the basis for the final agreement between MCI and Southwestern Bell, thereby facilitating the task upon completion of this proceeding." (Exhibit 56, pg. 2, lns. 3-6). Ms. Russell never explained that she wanted or expected the PSC to make a finding on every issue discussed in the Draft for Discussion or that she expected or wanted the Commission to compare the Draft for Discussion with the "Term Sheet" attached to MCI's Petition. Ms. Russell never discussed the "Term Sheet." Furthermore, comparing the "Term Sheet" with the "Draft for Discussion" with the June 16, 1997 proposed interconnection agreement submitted by MCI further highlights the failure of MCI in that the three documents are not consistent on numerous issues as is discussed in more detail below.

5. MCI next attempts to argue that since SWBT "did not offer contesting evidence on such matters, they were all presented to the Commission under the catch-all Issue No. 42 in the Issues Memorandum and Briefs." (MCI's Reply, p. 3). It was not the duty of SWBT to determine what other, if any issues, MCI wanted to raise in the Issues Memorandum, the hearing or MCI's Briefs. MCI had the duty to set out all issues it believed to be unresolved under §252 of the Act. SWBT's obligation under the Act was to respond and present its position to those issues raised by MCI. SWBT was not required to guess at what issues MCI believed should be presented to the PSC. SWBT offered evidence and its position on all issues which MCI presented to the PSC as contested matters in its Issues Memorandum.

6. MCI next contends that SWBT is delaying the resolution of the matters by insisting upon another arbitration hearing. It has been MCI which has set its priorities as to which

states it wishes to do business in and as to which states it wishes to negotiate agreements. The procedure in Texas and Oklahoma has been for the state commission to set a second arbitration to completely resolve all outstanding issues remaining. Such a second procedure is necessary when MCI fails to clearly present the issues and its positions to the PSC as the petitioning party. As MCI has admitted throughout this Arbitration, no substantive negotiations actually occurred between SWBT and MCI prior to the Arbitration in October, 1996. SWBT requested that the PSC mediate the fact that MCI refused to sign the same nondisclosure agreement signed by numerous other potential local service providers, including AT&T. The Commission held such a mediation employing Chief ALJ Roberts and a staff attorney as mediators. MCI is the party which controlled the calculation of the nine month time period under which the issues were to be resolved. MCI also controlled determinations about which states MCI wished to enter into business. It is MCI's failure to negotiate in good faith, to clearly present unresolved issues to the PSC and to follow the requirements of the Federal Act that have caused MCI not to enter the local service market in Missouri.

7. MCI next claims that 47 CFR 51.807 is the appropriate rule for the PSC to follow in this matter. Section 51.807 applies only when the FCC has preempted the states. Despite MCI's Petition to the FCC, the FCC has not and should not preempt the Missouri PSC. Therefore the "final offer" rule is clearly inapplicable. Furthermore, MCI's incredulous claim that it has presented its "final offer" by filing the proposed contract and SWBT has waived its right to present its position by filing a motion to strike and stating that it believes the issues were not arbitrated, is legally unsupportable and has no basis in the law.

8. MCI next intentionally attempts to mislead the PSC into believing that Exhibit 84 discussed the "as is conversion" issue which SWBT asserts was never arbitrated. Exhibit 84 outlined a timeframe for operational support systems (OSS) for resold services and dealt with when SWBT would be able to convert a customer to AT&T, or another LSP, when the LSP was reselling a SWBT service. This exhibit did not deal with the issue of using unbundled network elements (UNEs) and requiring SWBT to convert a customer with all the same features in place to an LSP using UNEs rather than just reselling specific services. MCI then cites the PSC to transcript page 1329 to "prove" SWBT agreed to perform as is conversions. As MCI knows, pages 1329 and 1330 are the sections where MCI's attorney was asking SWBT witness James Watts: "Can you think of specific items that MCI is requesting that SWBT has not yet decided to make available?" Mr. Watts responded that: "The only thing in her (Ms. Russell) testimony referred to resold services and wanting CABS like billing." On the next pages, after SWBT objected to the vagueness of MCI's questioning, Mr. Watts responded that: "I would have to go back, as I mentioned earlier, sit down and go through each specific item to make sure we are in agreement." For MCI to argue that this page of Mr. Watt's testimony proves SWBT has "agreed to meet this (as is conversion) need" is a blatant attempt to mislead the Commission. It is especially surprising since MCI is well aware that this issue was on appeal. The Eighth Circuit issued its Order addressing this and other issues on July 18, 1997.<sup>4</sup> The Eighth Circuit opinion on this issue provides that SWBT need not combine UNEs on behalf of new entrants; rather, the new entrants must combine the UNEs themselves. MCI's position must therefore be rejected.

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<sup>4</sup>No. 96-3321, Slip op. (8th Cir. July 18, 1997).



9. MCI next contends that MCI should be allowed volume discounts off of SWBT services. (MCI Reply, p. 5). Had MCI raised this in the arbitration proceeding, SWBT would have advised the Commission that this proposal conflicts with the Federal Act which provides parameters for determining the wholesale discount from retail services (avoided costs) as well as determining rates for UNEs (cost plus a reasonable profit). If MCI truly believed that it was entitled to volume discounts further reducing the wholesale rates and unbundled loop rates, contrary to the statute setting the methodology for resale and UNE pricing, then MCI was obligated to place such information of the "volume discounts levels" directly before the PSC in testimony and the Issues Memorandum. MCI failed to do this. Even the draft contract which MCI now says the Commission should have adopted did not spell out MCI's position. In MCI's "Draft for Discussion", (Exhibit 56), there are numerous blank columns included in Attachment I, pp. 1-4. All terms concerning volume discounts or the existence of any basis for volume discounts are blank. Under Attachment I, Table 1 - Pricing - all of the rates are blank. Contrary to MCI's allegation, in the body of its Petition,<sup>5</sup> MCI does not mention any volume discounts. Instead MCI states that the Commission "should establish SWB's wholesale prices with reference to the high end of the range, or alternatively, based on the record before the Commission in this proceeding." Under MCI's prayer for relief in its Petition, MCI never mentions volume and term discounts.<sup>6</sup>

10. MCI next contends that it presented in the arbitration an issue that MCI should be "compensated" by SWBT when Yellow Page listings are sold by Southwestern Bell Yellow Pages

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<sup>5</sup>MCI's Petition for Arbitration, pp. 31-32.

<sup>6</sup>MCI's Petition for Arbitration, pp. 38-39.

to MCI's end users.<sup>7</sup> Such is blatantly untrue. No such discussion of compensation for "giving Yellow Pages sales leads" is in MCI's Petition, any testimony submitted by MCI, the "Term Sheet" or the "Draft for Discussion"/Exhibit 56. It is not until the June 16, 1997 filing, well after the PSC's decision in the Arbitration case, that MCI spells out its proposal to the Commission. MCI cannot litigate new issues eight month after issuance of the Arbitration Order.

11. In the remaining 3½ pages of MCI's Reply, MCI spends one sentence or less discussing SWBT's positions on issues which SWBT believes were arbitrated but upon which language has not been agreed. The first point brought up by MCI is that SWBT is requiring that MCI represent that it has obtained all necessary certifications and other regulatory approvals required by law for provision and receipt of services. MCI states SWBT is attempting to make itself "the police". That is not the case. SWBT is, however, concerned that it not be required by contract to provide services for resale and unbundled network elements to be used to provide unauthorized service to customers in violation of Missouri statutes and orders of this Commission. This is a real concern, as MCI has already attempted to order services for resale. Just as MCI has been told in the last few months when it has attempted to place orders for services to resell to third parties, MCI must have certification and effective tariffs. The Commission, consistent with Senate Bill 507, has held such and MCI's certification is dependent upon MCI having effective tariffs. Such language is contained in the certification stipulation in Docket TA-96-355 which the Commission approved and upon which the Commission issued an Order. MCI must follow the terms of the Stipulation and the law.

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<sup>7</sup>MCI's Reply, p. 5.

12. Though MCI critiques the remaining portions of SWBT's proposals as "vague", "inviting confusion", "redundant", "misplaced" and "less appropriate", SWBT maintains the right to file a thorough matrix outlining its wording and its rationale on the arbitrated issues after the PSC rules on SWBT's Motion to Strike.<sup>8</sup>

13. Not content with attempting to parlay its "Draft for Discussion" into an Interconnection Agreement even though the Commission was never presented these issues much less specifically requested to resolved them, MCI now seeks to add new terms and conditions never contained in its "Draft for Discussion." As further evidence of the flaws in MCI's argument that the PSC was supplied all necessary information under which it could approve MCI's newly formulated June 16, 1997 proposed interconnection agreement, the PSC should note that the proposed contractual terms of the June 16, 1997 proposed agreement are inconsistent with the testimony introduced by MCI, the law, the proposals in the "Draft for Discussion"/Exhibit 56 as well as the "Term Sheet."

Comparing the newly proposed contractual terms of the June 16, 1997 proposed agreement with Exhibit 56 and the Term Sheet, major inconsistencies and conflicts with existing law become apparent. The following items are by way of example and are not exclusive:

(a) MCI requests the ability to pick and choose any provisions from another agreement (See page 3, Part A, Matrix of proposed June 16, 1997 MCI Agreement) which the Eighth Circuit has declared invalid.<sup>9</sup>

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<sup>8</sup>See SWBT's Motion to Strike, p. 11.

<sup>9</sup>Slip Opinion, supra.

(b) Under Section 3, Part A of MCI's Matrix, MCI states the Agreement shall continue for three years. Under Exhibit 56, Section 3, Draft for Discussion, the time period is left blank. There is no mention of any time period for the Agreement on the "Term Sheet".

(c) Under Section 6.2, Part A of MCI's Matrix, MCI requires the parties to resolve all issues affected by Court Order or regulatory decisions to be resolved through dispute resolution. No such requirement for such dispute resolution is contained in Exhibit 56, Section 6 in the Draft for Discussion or the Term Sheet.

(d) Under 16.5, Part A of MCI's Matrix, MCI has added new provisions. There are no corresponding Sections 16.5 in the Exhibit 56 version and no mention of the provision in the "Term Sheet."

(e) Under 23.2, Part A of MCI's Matrix, MCI impose a new 24 month deadline for all billing disputes. No such language is contained in Section 23 of Exhibit 56 or in the "Term Sheet".

(f) Under Section 23.3 of Part A of MCI's Matrix, MCI has imposed a new obligation for payment of attorney's fees which is not found in Section 23 of Exhibit 56 or in the "Term Sheet."

(g) Under Sections 5.1 and 5.2, under Attachment 1 of the MCI Matrix, MCI has inserted completely new obligations under which SWBT is not allowed to charge nonrecurring charges for any network element that are not included on the attached schedule of prices. MCI further imposes the new obligation that SWBT must provide any network element even if a price is not listed (apparently for free). No such paragraph is under Section 5, Attachment I, Exhibit 56. As to the attached Pricing Table, all the columns are blank under

Exhibit 56 - Pricing Table. There are no such corresponding sections under the "Term Sheet" either.

(h) Under Section 1.2.3 of Attachment II of MCI's Matrix, MCI has inserted wording not found under Attachment II, Section 1.2 of Exhibit 56 or in the Term Sheet.

(i) MCI has inserted Sections 2.4, 2.6, 2.8, 2.8.1 under Attachment II of its Matrix which are not included under Attachment II, Section 2 of Exhibit 56 or found in the "term Sheet." Part of this newly inserted provision deals with using resold services to provide access services to IXCs, competitive access providers and wireless carriers.

(j) MCI has inserted numerous provisions under Section 3, Attachment II of its Matrix dealing with the definition and description of services for resale. These provisions are inconsistent with the wording in Section 2 and 3 of Attachment II of Exhibit 56.

(k) MCI has inserted new obligations concerning disconnection of calling cards under Section 3.5.1. and 3.5.2 of Attachment II of the Matrix which are not contained in Attachment II of Exhibit 56. Calling card issues were not brought up before the PSC.

(l) Under Section 3.6.1 of Attachment II of MCI's Matrix, MCI has changed the content of its provision dealing with the resale of Advanced Intelligent Network (AIN) services from what MCI first proposed under Section 3, Attachment II of its Exhibit 56.

(m) Under Sections 5.1.3, 5.1.4 et seq., 5.2 et seq., 6.1.3 and 6.3, under MCI's Attachment II Matrix, there are no such sections under Attachment II, Exhibit 56, Attachment VIII of Exhibit 56, nor the "Term Sheet." Part of this language includes a requirement of SWBT to pay MCI a 20% commission on all revenue generated by enhanced white page listings and

yellow page advertisement. MCI also attempts to require SWBT personnel to act as MCI's agent under contract to sell advertising (Section 5.6.1.10).

(n) Under Section 2.1.4 of Attachment III of MCI's Matrix, MCI has inserted obligations on SWBT to inform MCI of any deviations from standards of any equipment in SWBT's network. No such corresponding language is found under Section 2 of Attachment III of Exhibit 56 nor the "Term Sheet."

(o) MCI has inserted Sections 2.4 et seq., 2.6.2, 2.7.2, 2.10.2.1 et seq. under Attachment III, MCI Matrix. No such corresponding language is found under Attachment III, Section 2 in Exhibit 56 or under Attachment VIII, Exhibit 56 or the Term Sheet. This insert deals with reimbursement to be paid to SWBT for problems found in deregulated CPE when SWBT technicians are dispatched on a network problem.

(p) Section 2.10.2 et seq. of Attachment III of MCI's Matrix has no comparable language in Attachment III of Exhibit 56 or the "Term Sheet." These provisions deal with what MCI labels "wholesale construction." This concept requires SWBT to build new facilities for MCI because MCI wants more facilities, wants the facilities on an expedited basis or SWBT has no other requirement or need for facilities which MCI requests. There is no such requirement under the Act or regulations which would require SWBT to provide or construct new facilities when none exist or in an expedited fashion.

(q) Throughout Attachment III of MCI's Matrix, MCI has inserted requirements, now overturned by the Eighth Circuit in its July 18, 1997 Slip Opinion, that state SWBT must provide to MCI connections to network elements better than the connections or time

period priorities which SWBT provides to itself. Such language is not consistent with the Act or the Eighth Circuit's opinion.

(r) Under Section 4.2.8 of Attachment III of MCI's Matrix, MCI states that MCI shall only make the unbundled loops available to SWBT after MCI's end users disconnects service IF THE END USER HAS SATISFIED ALL FINANCIAL OBLIGATION TO MCI. There is no such wording in Attachment III of Exhibit 56 or the "Term Sheet" concerning MCI's refusal to make the loops available to SWBT only if MCI's end user has paid MCI all disputed monies.

(s) Under Section 4.5 et seq. of Attachment III of MCI's Matrix, MCI states its requirements for acceptance testing at no charge and the development of such tests when none exist. There is no such requirements under Attachment III, Section 4 of Exhibit 56 and no specifics like those containing in the June 16, 1997 proposal can be found under Attachment VIII, page 15 of Exhibit 56 or in the Term Sheet.

(t) Under Section 6.2.1.14 of Attachment III of MCI's Matrix, MCI attempts to impose performance standards and data reporting on SWBT not found in comparable Section 7.2.1.14 of Attachment III or under Performance Standards in Attachment VIII of Exhibit 56. Nor is such a requirement found under Unbundled Local Switching (VI) in the Term Sheet.

(u) Section 6.4.8.1 et seq. of Attachment III of MCI's Matrix, sets out rate elements for unbundled switching and payment arrangements for SWBT which are not found under Attachment III of Exhibit 56 or the Term Sheet under the Unbundled Element List and are inconsistent with the categories on the Pricing Table of Attachment 1 in Exhibit 56.

(v) Section 10.8.3 et seq. of Attachment III of MCI's Matrix included multiplexing requirements for unbundled dedicated transport that are not contained in Section 10 of Attachment III of Exhibit 56 or the Term Sheet.

(w) Section 10.10 et seq. of Attachment III of MCI's Matrix list the rate structure MCI proposes to pay for SWBT's provision of unbundled dedicated transport, multiplexing, digital cross-connect and nonrecurring rates which are inconsistent with the Pricing Table in Attachment I of Exhibit 56.

(x) In Section 11.2.7 et seq. under Attachment III of MCI's Matrix, there are rates set forth for STP signaling access which are inconsistent with the Pricing Table in Attachment I of Exhibit 56 and the Term Sheet.

(y) In Section 13.4.3 et seq. under Attachment III of MCI's Matrix, MCI has attempted to impose additional requirements for LIDB functions than are found under Attachment III Section 13 of Exhibit 56 or in the Term Sheet.

(z) In Sections 13.6 and 13.7 et seq. of Attachment III of MCI's Matrix, MCI has imposed terms and conditions for validation service query and transport which is inconsistent with Pricing Table in Attachment I of Exhibit 56 and the Term Sheet.

(aa) In Section 5.3.1 of Attachment IV of MCI's Matrix, MCI attempts to impose obligations on SWBT concerning compensation for termination of intercompany traffic for 800 service and other types of traffic which are not discussed in Attachment IV in Exhibit 56 or the Term Sheet.



(bb) Under Section 6.1 et seq. of Attachment IV of MCI's Matrix, MCI inserts obligations and definitions of busy line verification which are different than those contained in Attachment IV Exhibit 56 or the Term Sheet.

(cc) Under Section 6.3 et seq. of Attachment IV of MCI's Matrix, MCI attempts to impose numerous provisions concerning wireless traffic which were not included under Exhibit 56 or in the Term Sheet.

(dd) Under Sections 4.2 and 4.3 et seq. of Attachment VII in MCI's Matrix, MCI asserts intervals for installation of interim number portability that are not found under Attachment VII of Exhibit 56 or the Term Sheet.

(ee) Under Section 4.8 et seq. of Attachment VII of MCI's Matrix, MCI addresses calling card issues which are not addressed under Exhibit 56 or the Term Sheet.

(ff) Under Sections 1.2.3 and 1.2.4 of Attachment VIII of MCI's Matrix, MCI attempts to require SWBT to provide Caller ID equipment or other types of CPE to MCI's customers under the same terms as SWBT provides CPE to its own customers. This is inconsistent with the language under Sections 1.2.3. and 1.2.4 of Attachment VIII of Exhibit 56 and the Federal Act and state law.

(gg) Under Section 2.2.2.1 of Attachment VIII of MCI's Matrix, MCI states it can order a combination of network elements and have the option of ordering all features of each. No such wording is found under Section 2 of Attachment VIII of Exhibit 56.

(hh) Under Section 3.1.3 et seq. of Attachment VIII of MCI's Matrix, MCI imposes obligations on SWBT for resale of intraLATA toll services which are inconsistent with Section 3.1.3 of Exhibit 56.